



Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 09-33, Puerto Rico (Commonwealth) State Income Tax Withholding

Date: August 14, 2009

To: Holders of Taxes (Commonwealth of Puerto Rico only)
Personnel User Groups
T&A Contact Points in Puerto Rico

In accordance with Puerto Rico legislation 1165(e), the National Finance Center (NFC) made the following changes to Puerto Rico (Commonwealth) state income tax withholdings with wages paid for Pay Period 15:

- Limited the amount of tax deferred contributions for employee's 401(k) plan to \$9,000. Employees can continue to defer up to \$16,500 for Federal tax purposes.
- Limited the amount of tax deferred contributions for employee's 401(k) catch-up plan to \$1,000 for employees who are age 50 or over. Employees can continue to defer up to \$5,500 for Federal tax purposes.

Note: Once the employee has reached the \$9,000 and \$1,000 tax deferred limits, their state income tax withholdings for Puerto Rico will increase.

To view the updated tax formula, go to NFC's Home Page (www.nfc.usda.gov) and click the **Publications** link at the top of the page. At the Publications page right-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

JOHN S. WHITE, Acting Director
Government Employees Services Division

Puerto Rico (Commonwealth of) State Income Tax Information

State Abbreviation: PR
State Tax Withholding State Code: RQ
Acceptable Exemption Form: 499R
Basis For Withholding: State Exemptions
Acceptable Exemption Data: S, M, N, B, C, H / Number of Dependents / Allowance Based on Deductions / Personal Exemption
TSP Deferred: Yes
Special Coding: Determine the Total Number Of Allowances field as follows:

First Position – Enter the employee's marital status as indicated in Section A, Personal Exemption, of the exemption certificate. Valid entries are:

Marital Status Code	Description
S	Single – Claiming “Complete” Personal Exemption or “None”
M	Married – Claiming “Complete” Personal Exemption
N	Married – Claiming “Half” Personal Exemption
B	Married/ Living with Spouse, Filing Separately – Claiming “Complete” Personal Exemption or “None”
C	Married/ Living with Spouse, Filing Jointly – Claiming “Optional Computation of Tax”
H	Head of Household – Claiming “Complete” Personal Exemption or “None”

Note: If head of household is claimed, the dependents claimed (second and third digits) must be 01 or greater.

Second and Third positions – Enter the total number of dependents claimed in Section B, Credit for Dependents, of the exemption form.

Determine the Additional Exemptions Claimed field as follows:

First and Second Positions – If the employee indicated on the exemption form (Section C, Allowance Based on Deduction) that the automatic method is to be used, enter **00**. If the employee indicated the optional method, enter the number of allowances. If less than 10, precede with a zero.

Determine the Personal Exemptions Claimed field as follows:

Enter **0** (zero) in this field if the employee marked none in Section A, Personal Exemption, of the exemption form. Enter **1** if the employee marked “Complete” or “Half.”

Note: Only Marital Status Code N can claim “Half” personal exemption.

Determine the Public or Private Employee field as follows:

Enter **1** for private employees who do not contribute to a Government retirement system. Enter **2** for public employees who contribute to a Government retirement system.

Additional Information:

The Puerto Rico tax formula has separate computations for residents and nonresidents. ► Contributions to 401(k) plans by Puerto Rico employees are subject to Puerto Rico legislation 1165(e) and have different limits than U.S. Federal 401(k) plans. The Puerto Rico limit for 2009 is \$9,000 and the catch-up contributions for employees age 50 or over is \$1,000. ◀

Withholding Formula (Residents) ► (Effective Pay Period 15, 2009) ◀

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution (includes the biweekly TSP catch-up contribution) from the gross biweekly wages. ► **See additional information above.**
 - a. Add previous YTD 401(k) contribution amount to current pay period 401(k) contribution amount.
 - b. Add previous YTD 401(k) catch-up contribution amount to current pay period 401(k) contribution amount.
- Note:** If the amount exceeds \$9,000 for 401(k) contributions and \$1,000 for 401(k) catch-up contributions, do not take this deduction. Omit Step 1 and proceed to Step 2. ◀
2. Subtract cost-of-living allowance (COLA) from the adjusted gross biweekly wages.
3. Multiply the adjusted gross biweekly wages times 26 to obtain the annual wages.
4. Determine the allowance based on deductions amount by applying either the automatic or optional method.

Automatic Method**Private Employee**

- a. Apply the following table to determine

If the Employee Is:	The Deduction Amount Is:
Single	\$ 2,100
Married	3,150
Married (Optional Computation of Tax)	1,575
Married (living w/spouse filing separately)	1,575
Head of Household	2,730
- b. After determining the deduction amount above, proceed to step 5.

Public Employee

- a. Apply the following table to determine

If the Employee Is:	The Deduction Amount Is:
Single	\$ 2,100
Married	3,150
Married (Optional Computation of Tax)	1,575
Married (living w/spouse filing separately)	1,575
Head of Household	2,730

- b. Multiply the annual wages computed in step 3 by 8.275 percent and add to the result of step 4a; then proceed to step 5.

Optional Method

Use the number of allowances entered in Section C (Allowance Based On Deduction) on the employee's Form 499R; then proceed to step 5.

5. Divide the result of step 4 by 500. Round to the nearest whole number to determine the number of allowances (Example: 4.50 rounds to 4; 4.51 rounds to 5).
6. Multiply the result of step 5 by 500.
7. Subtract the result of step 6 from the annual wages computed in step 3.
8. If personal exemptions are claimed in Section A (Personal Exemptions) on the employee's Form 499R, apply the following guideline and subtract from the result of step 7. Otherwise, proceed to step 9.

Single-S	Married-M (Complete Exemption)	Married-N (Half Exemption)	Married-B (Living with Spouse- Filing Separately - Complete Exemption)	Head of Household-H
\$1,300	\$3,000	\$1,500	\$1,500	\$3,000

9. Determine the dependent allowance by applying the following guideline and subtract from the result of step 7 or step 8, as applicable, to obtain the taxable income.

Dependent Allowance = \$2,500 x Number of Dependents

Or

Dependent Allowance (Optional Computation of Tax) = \$1,250 x Number of Dependents

Note: Subtract one dependent if Head of Household is claimed.

10. Apply the taxable income computed in step 9 to the following table to determine the annual Puerto Rico income tax withholding amount.

Tax Withholding Table

**Single-S
Married-M**

Head of Household-H

**If the Amount of
Taxable Income Is:**

Over:	But Not Over:
\$ 0	\$ 17,000
17,000	30,000
30,000	50,000
50,000	and over

**The Amount of Puerto Rico
Tax Withholding Should Be:**

7%	minus	\$ 0
14%	minus	1,190
25%	minus	4,490
33%	minus	8,490

Married-B
(Living With Spouse – Filing Separately)

If the Amount of Taxable Income Is:		The Amount of Puerto Rico Tax Withholding Should Be:		
Over:	But Not Over:			
\$ 0	\$ 8,500	7% minus	\$	0
8,500	15,000	14% minus		595
15,000	25,000	25% minus		2,245
25,000	and over	33% minus		4,245

- 11.** Divide the annual Puerto Rico income tax withholding by 26 to obtain the biweekly Puerto Rico income tax withholding.

Withholding Formula (Nonresidents) ► (Effective Pay Period 15, 2009) ◀

1. Subtract the biweekly Thrift Savings Plan contribution from the gross biweekly wages. ► **See additional information above.** ◀
2. Subtract cost-of-living allowance (COLA) from the adjusted gross biweekly wages.
3. Multiply the adjusted gross biweekly wages times 26 to obtain the annual wages.
4. Apply the annual wages to the following guidelines to compute the annual Puerto Rico income tax withholding amount.

**Compute the Commonwealth of
Puerto Rico Income Tax Withholding
For:**

U.S. Citizen
Non-U.S. Citizen

**By Multiplying the Gross Amount
Wages By:**

20%
29%

5. Divide the annual Puerto Rico income tax withholding by 26 to obtain the biweekly Puerto Rico income tax withholding.